

# UTAH'S MAGNIFICENT ENDOWMENT



Founding Fathers in 1785 established one square mile out of every 36 square miles for schools.

**THE STATE IS THE TRUSTEE  
THE SCHOOLS ARE THE BENEFICIARY**

**The lands are NOT “State Lands.”  
They are School Trust Lands**



The Dewey School  
2200 West 3500 South  
Salt Lake City, 1916

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- ❖ Duty to Pay Income to Beneficiary

# The State Board of Education, representing the Beneficiary, has duties

Duty to advocate

Duty to act timely

Duty to assert rights

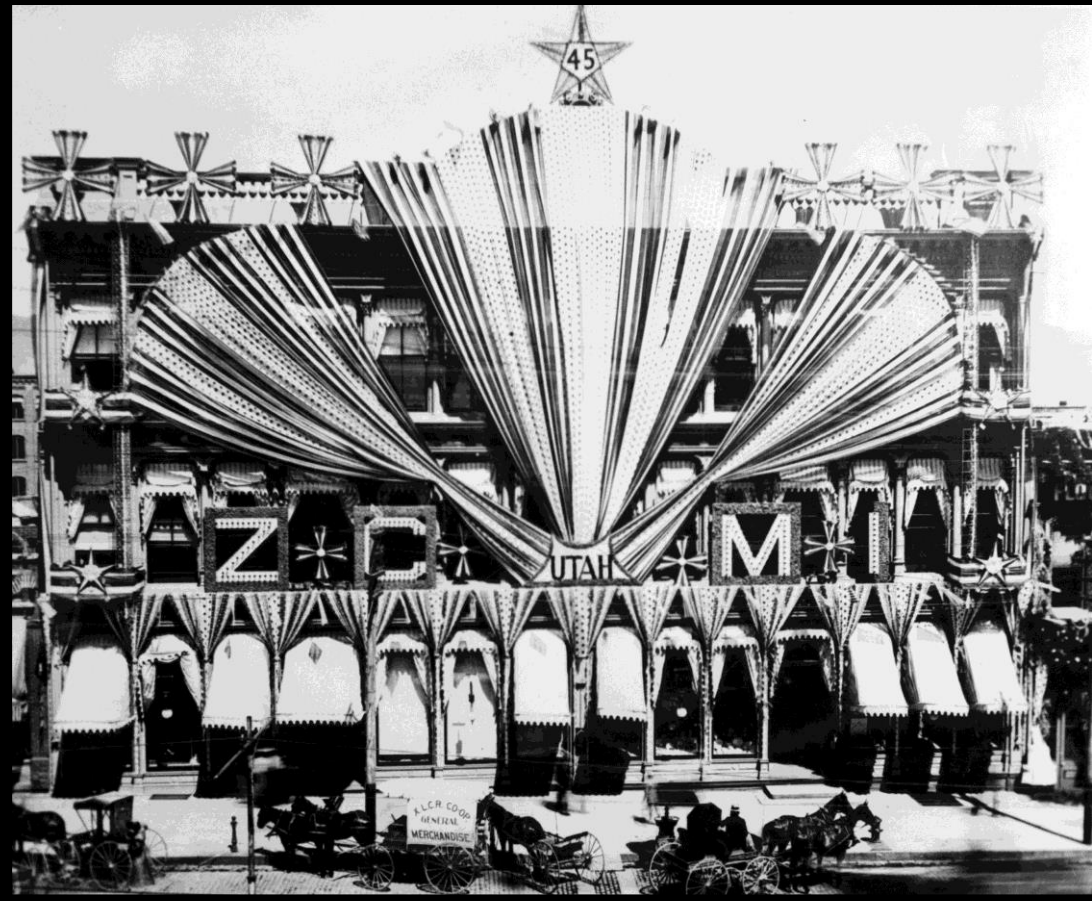
Duty to seek remedy

Duty to ensure trustees fulfill their fiduciary duties

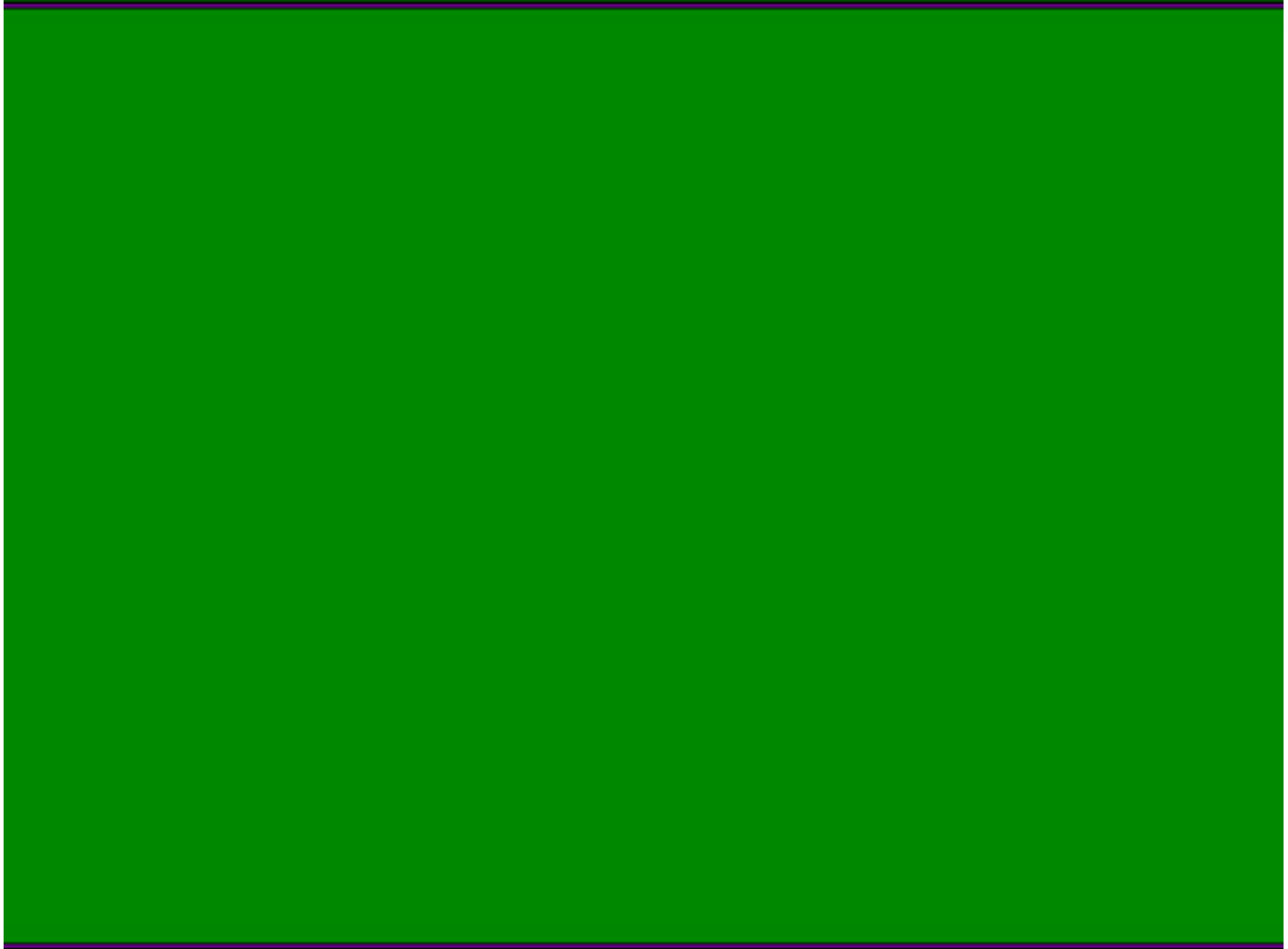


# At statehood Utah received

- 6,007,182 acres of surface and mineral rights for schools.
- Grants of additional land for 11 other trusts including universities and special schools and institutions.
- A charge as a condition of statehood to invest all school “proceeds” in a permanent fund.
- A charge to spend the interest only for schools.



Over 6 million school acres were granted.  
By the 1983, half the land was sold.  
The State School Fund had only \$18 million.

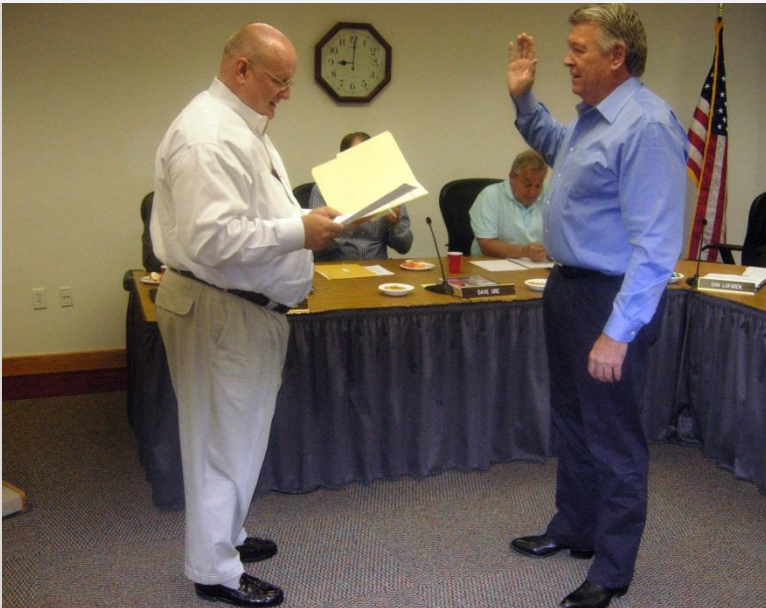


The education community worked  
with the legislature through the  
School Trust Legislative Task Force & a Citizen Committee



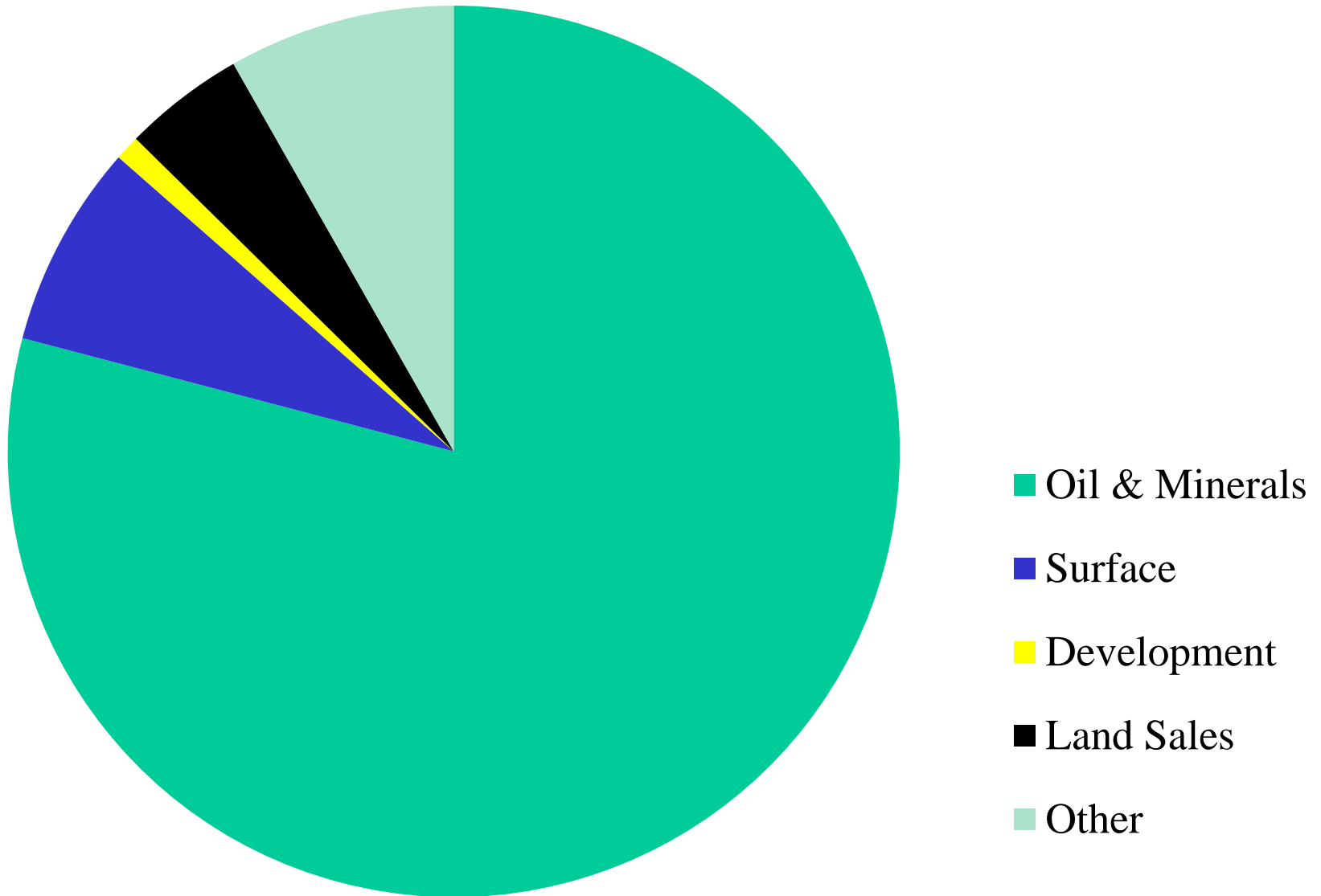
## **A MAGNIFICENT ENDOWMENT WAS HONORED**

*The School and Institutional Trust Lands Board  
And Administration was born in 1994.*



**The productivity of the land along with the entrepreneurial spirit of the agency and its employees have far outstripped even the most unlikely of financial predictions from 1994—exceeding one billion dollars decades before the estimates.**

# FY 2012 REVENUE SOURCES

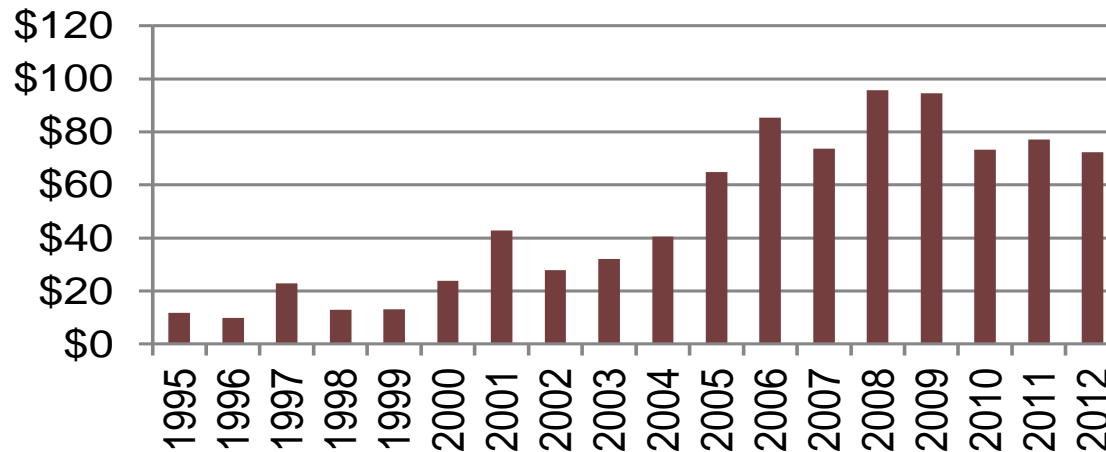


# SCHOOL MINERAL REVENUE

*“Run lean; run mean.”*



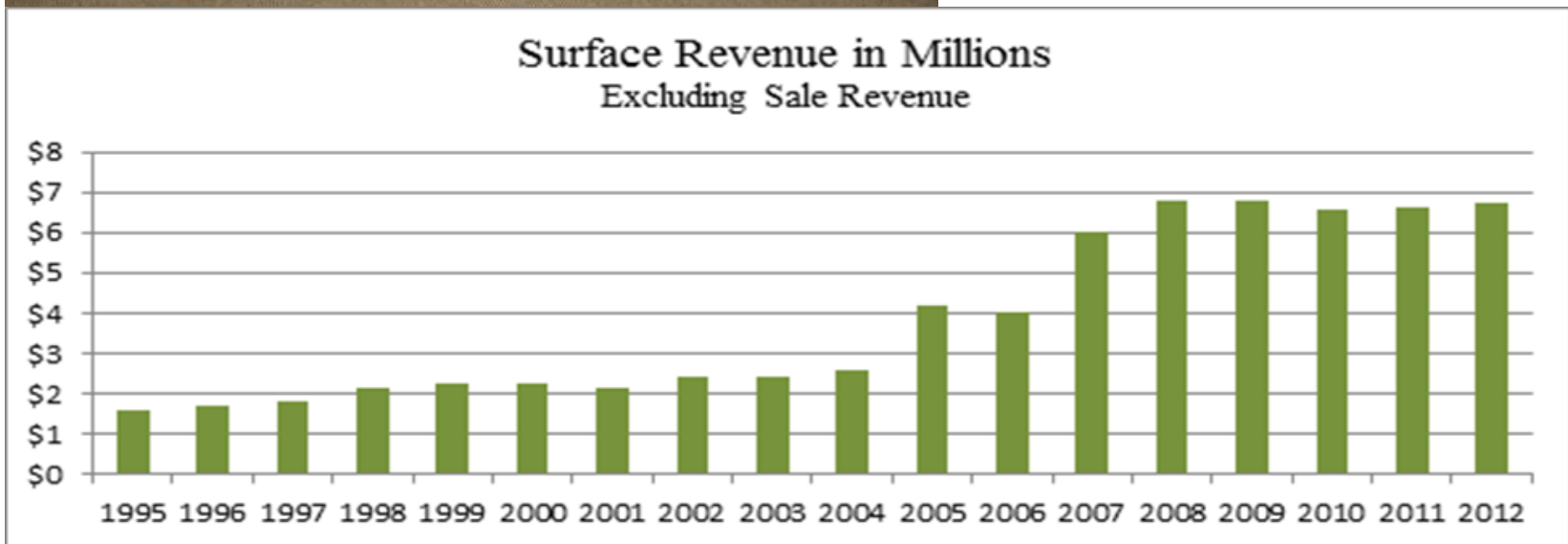
School Mineral Revenue in Millions



# SCHOOL SURFACE REVENUE



Success accomplished despite 1/3<sup>rd</sup> of all land in wilderness proposals.



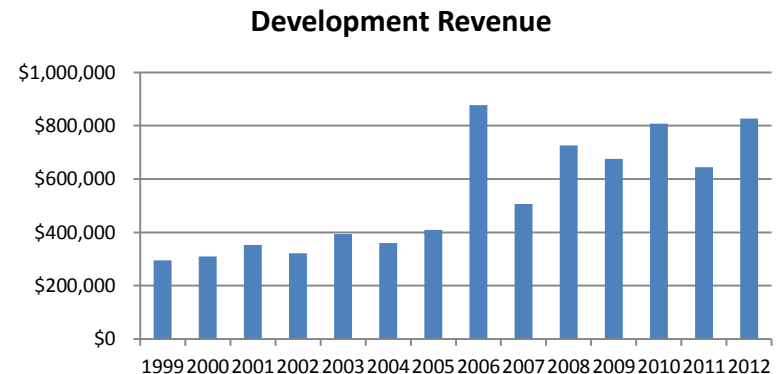
# SCHOOL DEVELOPMENT REVENUE



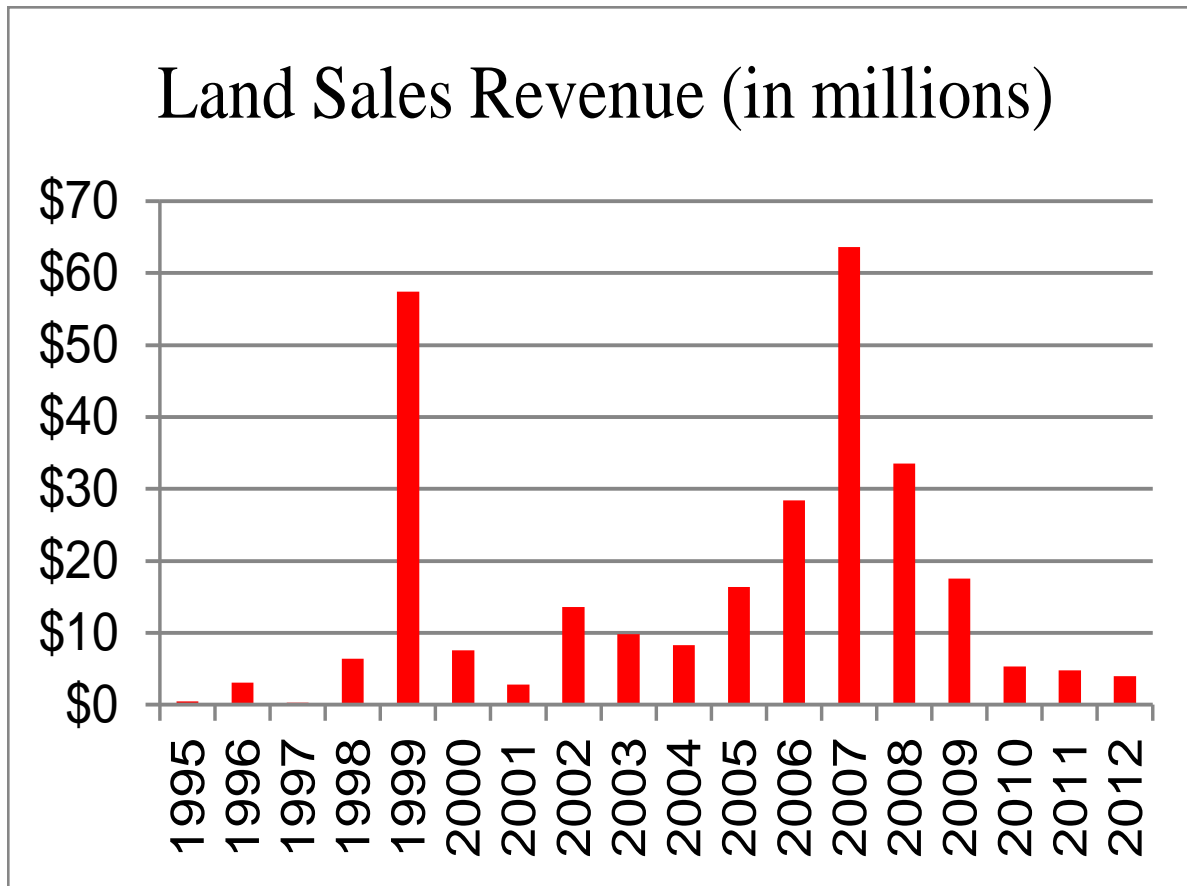
Development Staff

There are 10 employees but most were in the field the day the picture was taken.

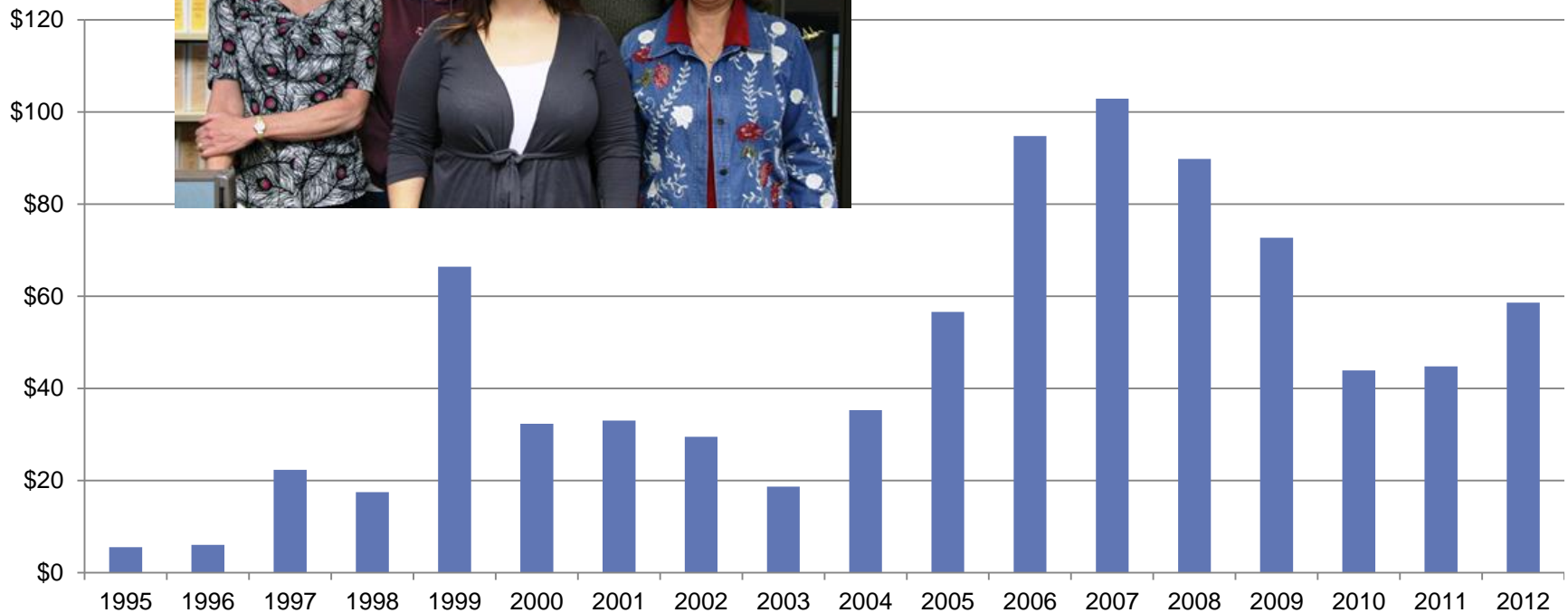
- manage 61 projects.
- including projects in St. George, Moab, Washington City, and Eagle Mountain.
- FY 2012 Development revenue was \$827,305 due to depressed real estate markets nationwide.



# SCHOOL LAND SALES

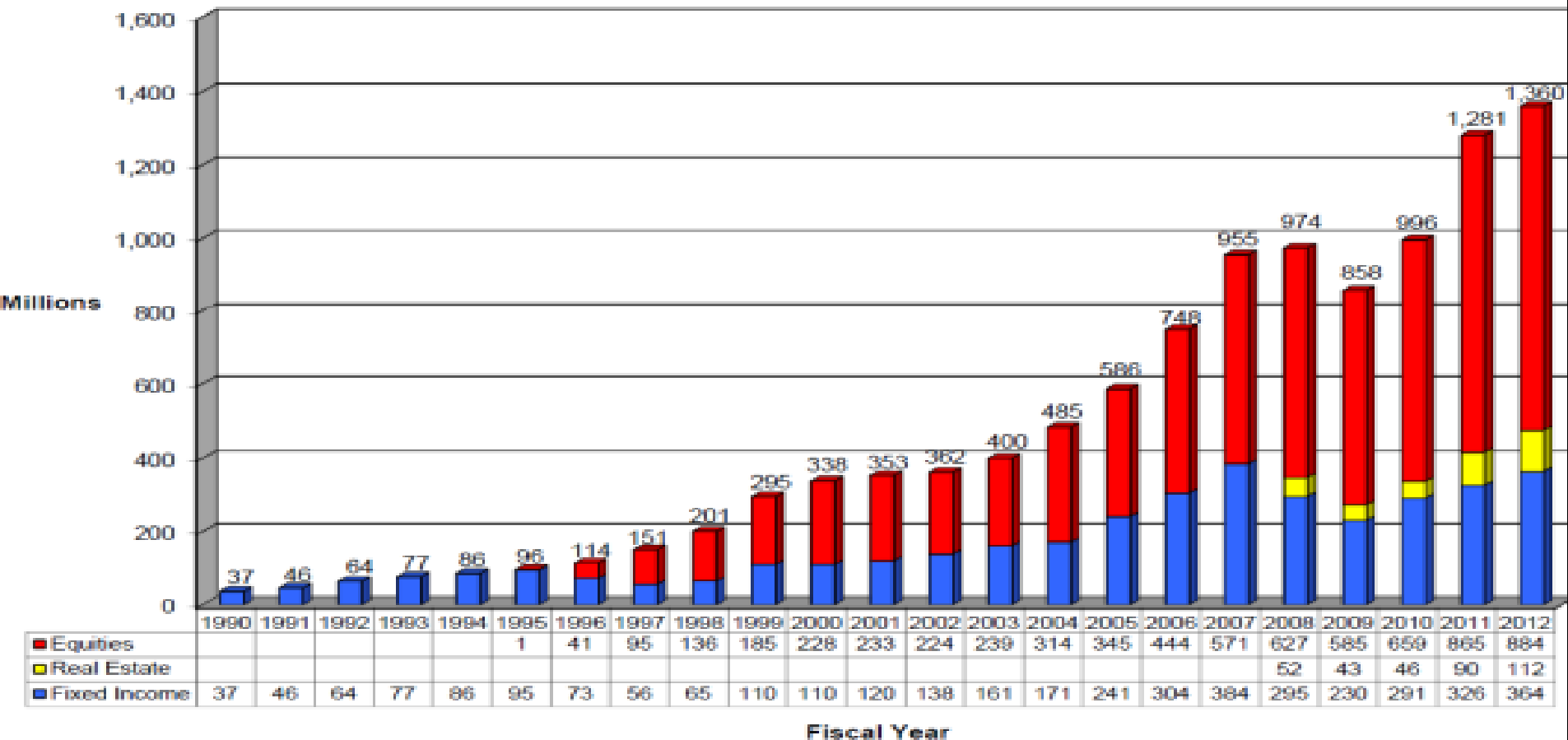


# MAGNIFICENT DEPOSITS to the State School Fund



# MAGNIFICENT GROWTH OF STATE SCHOOL FUND

Permanent State School and Institutional Trust Funds  
Investment Balances as of June 30, 2012



**Land revenues go into the fund which is invested by the State Treasurer. The fund will grow. The interest and dividends will increase and support schools forever.**



# ASSET ALLOCATION

## SCHOOL FUND FY 2012

<u>Asset Class</u>	<u>Target Range</u>			<u>School Asset</u>	<u>Market</u>
	<u>Minimum</u>	<u>Neutral</u>	<u>Maximum</u>	<u>Allocation</u>	<u>Value</u>
Domestic Equity	42%	47%	52%	46.57%	\$596,816,357
International Equity	15%	20%	25%	18.83%	241,376,730
Fixed Income	18%	23%	28%	25.62%	328,345,630
Real Estate	5%	10%	15%	8.23%	105,480,174
Cash	0%	0%	0%	0.75%	9,640,611
				<b>TOTAL</b>	<b>\$1,281,659,502</b>



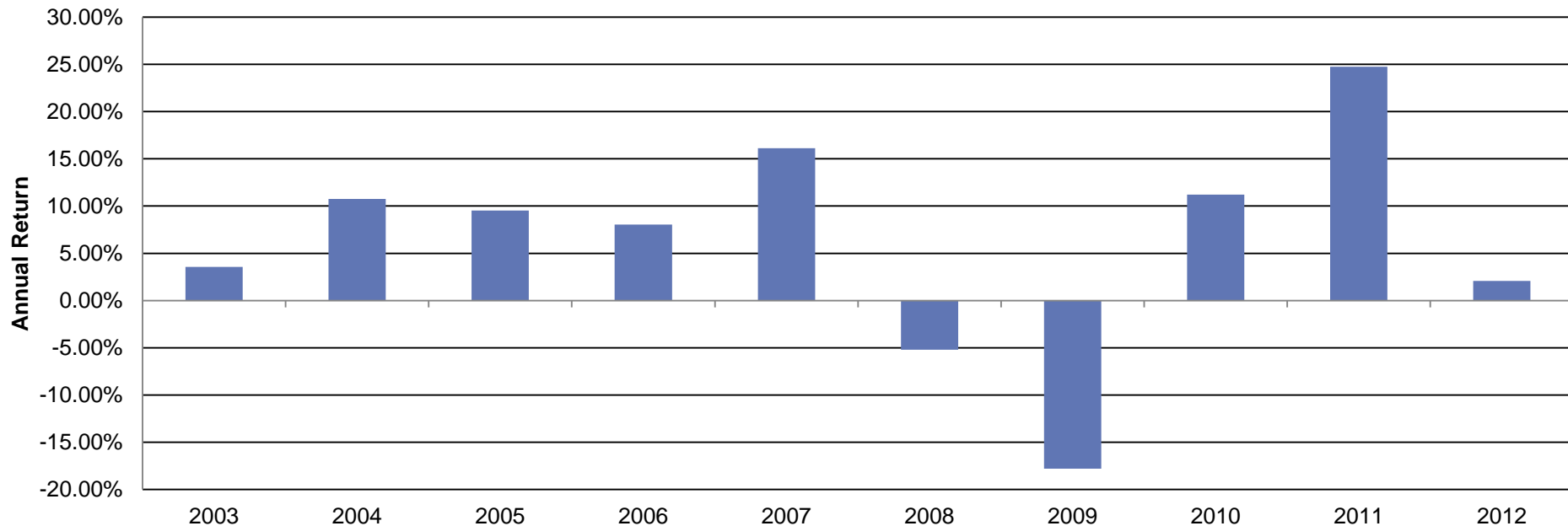
Investment Advisory Committee  
when Governor Huntsman  
signed bill to invest the  
permanent School Fund under  
the “*Prudent Investor Rule*.”

# ANNUAL RETURNS



Investments are made by the State Treasurer with advice from the Investment Advisory Committee. In FY 2013, a Task Force of investment professionals is studying the best structure as the fund grows to multiple billions.

Permanent Fund Investment Returns



So how is the funding getting to our schools and children?  
**THE SCHOOL LAND TRUST PROGRAM**



# SCHOOL COMMUNITY COUNCILS



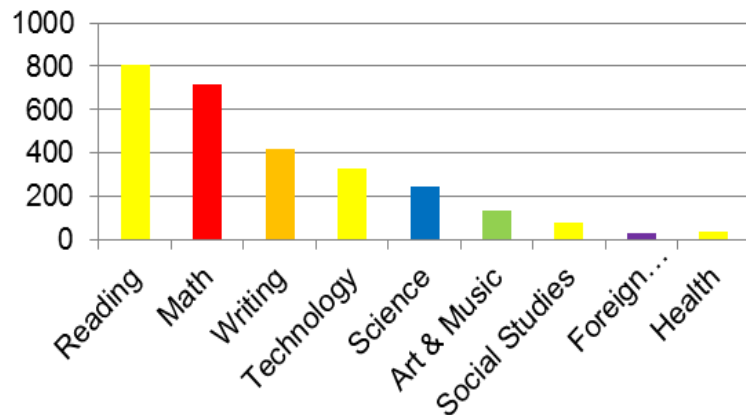
Each school creates a council with elected parents, elected teachers, and the principal. The council:

- Studies the school test scores
- Selects an **academic** area to improve
- Develops an **academic** plan
- Implements the plan one year while planning for the next year.
- Must have their plan approved by their school board —charters are approved by the State Charter Board.
- Measures their success annually
- Reports to their community



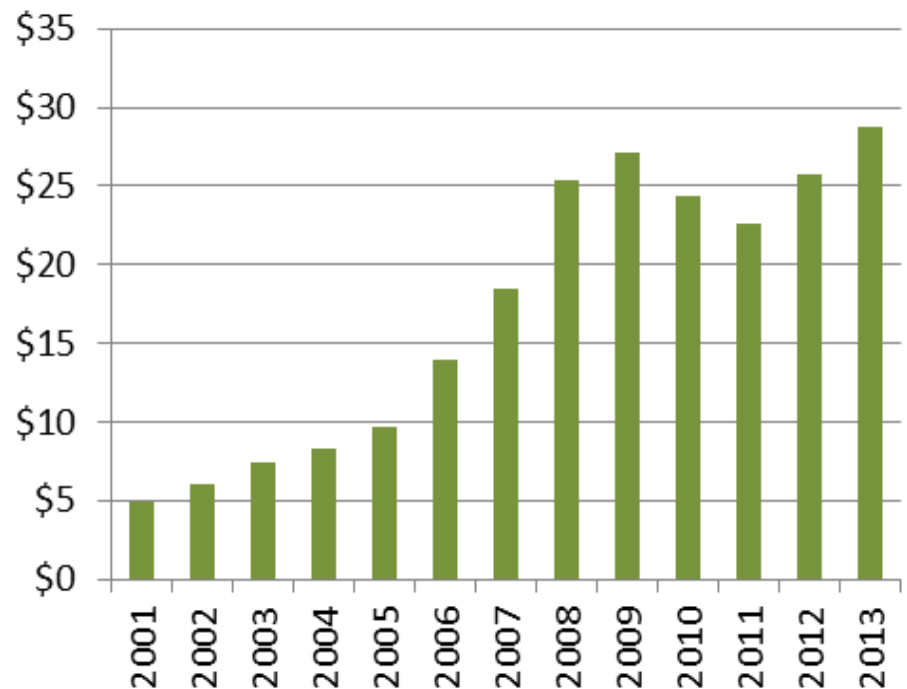
# THIS IS THE ONLY DISCRETIONARY FUNDING EVERY PUBLIC SCHOOL RECEIVES.

Academic Focus Areas



There has been a 6-fold increase in funds distributed in the last 13 years. Statewide there are 9,000 citizens serving on councils.

Annual Distribution to Schools  
(in millions)



# LAND MANAGEMENT ISSUES

## from the beneficiary perspective

- Wilderness designations on surrounding federal lands in productive areas—Let's solve it! Congressman Bishop idea.
- Restore Board authority for compensation to staff to drive productivity and innovation.
- Board policy direction to agency on crucial issues like water, wilderness, loans between trusts, outside legal counsel, and investments in developments.



# SCHOOL COMMUNITY COUNCIL & SCHOOL LAND TRUST ISSUES from the beneficiary perspective

The legislature accomplished all of them in the 2013 session:

- Simplify the election process so it works for councils, schools and parents—DONE
- Set charter school funding at the state average—DONE
- Require parental involvement on charter councils--DONE

# STATE SCHOOL FUND INVESTMENT STRUCTURE from the beneficiary perspective

The State Board of Education established a *School Trust Investment Task Force* to study the optimal structure for the investment of the State School Fund going forward. A member of the State Board of Education who holds a CFA charter is chair. Members include investment professionals appointed by the Speaker, President of the Senate, Governor, State Treasurer, and State Board. There will be recommendations out in mid-July. I urge the legislature to give careful consideration to those recommendations.